

EXHIBIT B

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

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In re:

PG&E CORPORATION, BANKRUPTCY CASE
-and- Case No.19-30088 (DM)
PACIFIC GAS AND ELECTRIC Chapter 11
COMPANY, (Lead Case)

Debtors. (Jointly Administered)

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DEPOSITION OF DOUGLAS FRISKE
THURSDAY, MARCH 21, 2019

Reported by:

Anrae Wimberley

CSR No. 7778

Job No. 3264070

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Transcript of deposition of DOUGLAS
FRISKE, taken at Skikos Crawford Skikos & Joseph
LLP, One Sansome Street, Suite 2800, San Francisco,
California 94104, beginning at 1:12 p.m. and ending
at 3:17 p.m. on Thursday, March 21, 2019, before
Anrae Wimberley, Certified Shorthand Reporter No.
7778.

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Advisor to the Tort Committee (VIA PHONE)

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I N D E X

EXAMINATION BY:	PAGE
MR. JULIAN	8

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E X H I B I T S

EXHIBIT	DESCRIPTION	PAGE
Exhibit 19	Pacific Gas and Electric Company's Wildfire Mitigation Plan; 182 pages	81
Exhibit 20	SoCalGas and SDG&E, Direct Testimony of Debbie S. Robinson (Compensation and Benefits); 261 pages	85
Exhibit 21	Decision Ordering Pacific Gas and Electric Company to Implement the Recommendations of the NorthStar Report; 9 pages	27
Exhibit 22	Assessment of Pacific Gas and Electric Corporation and Pacific Gas and Electric Company Safety Culture; 42 pages	27

QUESTION WITNESS INSTRUCTED NOT TO ANSWER:

PAGE LINE

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1 THURSDAY, MARCH 21, 2019; SAN FRANCISCO, CALIFORNIA;

2 1:12 P.M.

3 - - -

4 DOUGLAS FRISKE,

5 sworn as a witness by the Certified
6 Shorthand Reporter, testified as follows:

7 EXAMINATION

8 BY MR. JULIAN:

9 Q. Would you please state your full name for
10 the record.

11 A. Douglas Friske.

12 Q. Friske, not Friske?

13 A. That's correct.

14 Q. Is Exhibit 17 a copy of your corrected
15 declaration that you signed in connection with the
16 debtors' motion for approval of their short-term
17 incentive plan?

18 A. It is.

19 Q. And may we refer to the short-term
20 incentive plan for 2019 as the "STIP" in this case,
21 in your deposition?

22 A. Yes.

23 Q. Who hired you, actually?

24 A. Weil Gotshal.

25 Q. Who at Weil hired you?

1 A. My contact was Steve Karotkin.

2 Q. Did he explain the purpose of your
3 retention?

4 A. He did.

5 Q. What was it?

6 A. To help the company think through
7 compensation strategies in light of ongoing
8 discussions around potential restructuring.

9 Q. Do you have a prior relationship with
10 anyone on PG&E's board or executive team?

11 A. No.

12 Q. And what were the terms of Willis Towers
13 Watson's engagement with Weil on behalf of the
14 debtors?

15 A. With respect to terms, just to be clear --

16 Q. Compensation terms.

17 A. So we were paid on a time-and-expense
18 basis based on the time we spent on the matter with
19 an initial retainer amount.

20 Q. What was the retainer?

21 A. \$150,000.

22 Q. And who's on your team?

23 A. Myself, Mark Kazmierowski, and then I
24 don't know the other individuals. Mark worked with
25 others on the staff to do analyses.

1 Q. About how many people on the staff?

2 A. That worked on this engagement?

3 Q. Yes.

4 A. I would guess probably three to four.

5 Q. And by "this engagement," which engagement
6 are you referring to?

7 A. The engagement I referred to earlier with
8 PG&E through Weil.

9 Q. Did you work on any project other than
10 formulating or assisting the compensation committee
11 to formulate the 2019 STIP?

12 A. As I mentioned, we were working with the
13 committee on a variety of different compensation
14 matters.

15 Q. Do you expect to provide any advice to the
16 debtors on any other employee-related bonus plan?

17 MR. SLACK: Objection to the form.

18 MR. JULIAN: Withdrawn.

19 BY MR. JULIAN:

20 Q. Do you expect to provide advice to the
21 debtors on any other employee-related compensation
22 plans?

23 A. To be determined at this point. So I
24 think depends on what their needs are.

25 Q. Do you have an opinion as to whether or

1 not there's a single most important compensation
2 metric for employees of a utility?

3 A. I do not.

4 Q. About how much time have you and your team
5 spent working on the 2019 STIP engagement?

6 A. We were engaged in December. And over the
7 course of that time -- just trying to estimate.
8 You're thinking in terms of hours? Is that what --

9 Q. If you can, sure.

10 A. Yeah.

11 Probably in aggregate -- I'm trying to do
12 the math based on our billing hours, billing
13 rates -- couple hundred hours.

14 Q. About how much time have you personally
15 spent on the 2019 STIP engagement?

16 A. Thirty to forty hours.

17 Q. Who did you work with at PG&E?

18 A. Worked primarily with John Lowe, who is
19 the head of rewards PG&E.

20 Q. Did you say "rewards" or "awards"?

21 A. Rewards, r-e, reward.

22 Q. And who did your team work with in
23 addition to Mr. Lowe?

24 A. We've worked with Kevin O'Connell, who
25 works for John. We've also had discussions with

1 Dinyar Mistry and also had discussions with the
2 compensation committee.

3 Q. Who was on the compensation committee that
4 you had discussions with?

5 A. All of the compensation committee members
6 in terms of the meetings, so all four committee
7 members. And then I had other discussions with
8 Forrest Miller, who was the chair of the
9 compensation committee.

10 Q. He's also the chairman of the board?

11 A. I don't know. He could be.

12 Q. The four members of the compensation
13 committee with whom you met, were they all
14 directors, as far as you understand?

15 A. Yes.

16 Q. And when you say "compensation committee,"
17 was the compensation committee of PG&E Corp., the
18 holding company, or Pacific Gas and Electric
19 Company, the utility?

20 A. It's my understanding it's the Corp., the
21 corporation.

22 Q. The holding company?

23 A. The holding company. Sorry. Yes.

24 Q. Where did you get that understanding from?

25 A. First based on -- our engagement letter

1 talks about being with PG&E Corporation. And also
2 looking at their proxy statement, those are the
3 individuals listed in the proxy statement of the
4 company. So I interpret that to be in the area of
5 the holding company.

6 Q. Did you have any understanding as to
7 whether or not the compensation committee's charter
8 was to deal with compensation of the executives
9 only?

10 A. No. I didn't review the charter.

11 Q. Did you understand that the compensation
12 committee with whom you dealt had a charge to deal
13 with compensation of employees of PG&E, the utility?

14 A. I'm not familiar with the distinction
15 between the utility versus the holding company.

16 Q. Okay. At any rate, did you understand
17 that the compensation committee was working on
18 compensation for employees as opposed to executives?

19 A. Yes.

20 Q. Who did you get that understanding from?

21 A. From management and the committee in terms
22 of our discussions with them.

23 Q. Let's turn to your corrected declaration,
24 Exhibit 17. I'm just going to go through some of
25 it. I could ask you questions without going through

1 it, but -- when was the last time you read it?

2 A. Yesterday.

3 Q. When did you get out here?

4 A. This morning.

5 Q. Good for you.

6 How was the flight?

7 A. It was great, except I had to wait for the
8 gate. It's classic, right. You get here 10 minutes
9 early, and then you sit and wait for the gate for
10 45 minutes.

11 Q. If it was raining today in San Francisco,
12 you would have been two or three hours late.

13 By the way, just out of fairness to you,
14 if you want to follow with me, I'm on page 3,
15 line 26/27.

16 How did you and your team familiarize
17 yourself with the debtors' operations?

18 A. Several ways: One, having discussions
19 with senior management, the individuals I referenced
20 earlier, particularly John Lowe and Kevin O'Connell;
21 to talking with their advisors, particularly the
22 individuals from Weil; and then, three, reviewing
23 documents that they sent us with respect to their
24 existing incentive plans.

25 Q. What documents did they send to you with

1 respect to the existing incentive plans?

2 A. Background in terms of the plans, plan
3 documents that describe the plans.

4 Q. What was the title of the document?

5 A. I don't know.

6 Q. Did they send you any other documents
7 other than the plan documents?

8 A. They could have. I didn't review all the
9 documents. My colleagues reviewed them.

10 Q. Is Exhibit 2 one of the documents that
11 they gave you to review?

12 There's a section on the 2017 and 2018
13 STIPs toward the end. Starts at page WP 4-34.
14 Mr. Friske, way at the end.

15 A. Okay. 434; right?

16 MR. SLACK: No. No. 4-34. So 4 dash 34.

17 THE WITNESS: Oh, I see what you're saying
18 sorry. 4-34.

19 (Witness reviews document.)

20 THE WITNESS: No.

21 BY MR. JULIAN:

22 Q. 4-35?

23 A. I did not review this document, no.

24 Q. 4-36?

25 A. No.

1 Q. 4-37?

2 A. No.

3 Q. 4-38?

4 A. No.

5 Q. 4-39?

6 A. No.

7 Q. How about 4-40 and -41?

8 A. No.

9 Q. Did your team submit a formal report on
10 the 2019 STIP to the debtors?

11 MR. SLACK: Objection to the form of the
12 question.

13 THE WITNESS: Repeat the question.

14 BY MR. JULIAN:

15 Q. Yeah.

16 Did you -- did your company submit a
17 formal written report to Weil or the debtors with
18 respect to the 2019 STIP?

19 MR. SLACK: Objection to the form.

20 THE WITNESS: We provided a report to the
21 compensation committee on the plan, yes, on the 2019
22 STIP.

23 BY MR. JULIAN:

24 Q. Okay. And also -- going back to your
25 declaration, Exhibit 17.

1 What did you do to -- what did you and
2 your team do to familiarize yourselves with the
3 debtors' business goals?

4 A. Reviewed documents they sent us that would
5 have the goals that were in them in the 2018 STIP.
6 Also talked to management as well in terms of the
7 goals that they had in the 2018 STIP.

8 Q. What did the debtors and their advisors
9 tell you about the debtors' operational history?

10 A. Just with respect to the goals themselves,
11 how they were performing relative to those goals
12 that were in the 2018 STIP. It was really focused
13 on the goals that were in the STIP.

14 Q. How so?

15 A. How so -- could you -- how so --

16 Q. What did they tell you about the goals in
17 the 2018 STIP?

18 A. Just how they were performing relative to
19 those goals. Okay. Here are the goals we have in
20 the STIP, and this is the general trends of how
21 we're performing against those goals.

22 Q. By "goals" are you referring to the
23 performance metrics?

24 A. Yes.

25 Q. And did they explain anything else to you

1 about the debtors' operational history other than
2 what you've just told me?

3 A. No.

4 Q. What did the debtors and their advisors
5 explain to you about the debtors' financial
6 performance?

7 A. Beyond what was, again, relative to what
8 they had in the 2018 STIP --

9 Q. Sure.

10 A. -- not -- not anything that I recall.

11 Q. What did the debtors and their advisors
12 explain to you about various issues about the
13 debtors' work force and employees' programs?

14 A. Nothing that I recall.

15 Q. On page 4, line 5, of your declaration --

16 A. Yes.

17 Q. -- you testified that "The debtors
18 performed significant due diligence in developing
19 the 2019 STIP."

20 What "due diligence" are you referring to
21 there?

22 A. So with respect to the due diligence in
23 that STIP, looking at the metrics that they were
24 going to use as part of the STIP, so the performance
25 metrics with safety -- the category of safety,

1 financial and customer service. In addition to
2 that, the goals that they were setting relative to
3 those metrics.

4 In terms of the due diligence, it's just
5 talking about whether those metrics were in line
6 with the priorities of the organization and then
7 whether the goals themselves were appropriate.

8 Q. What did you do to determine -- withdraw
9 the question.

10 Did you do anything to determine whether
11 or not the safety goals were appropriate?

12 A. No.

13 Q. On page 5 of your declaration, line 4, you
14 testified that "The debtors' compensation committee
15 (with the assistance of WTW) conducted a thorough
16 evaluation of the debtors' existing STIP for
17 purposes of formulating the 2019 STIP."

18 What thorough evaluation of the debtors'
19 existing STIP did the compensation committee, with
20 your assistance, perform?

21 A. It reviewed the metrics that were used in
22 the 2018 STIP. It reviewed the weightings that were
23 applied to those metrics in the 2018 STIP. It
24 reviewed the performance period, the annual -- fact
25 that it's measured over an annual performance period

1 as part of the STIP and then the range of
2 performance, the fact that somebody could earn zero
3 versus up to 200 percent of target under the plan,
4 were the primary aspects of it that I was involved
5 in, in terms of the review that I was involved in.

6 Q. And when you conducted that evaluation,
7 was the word "the metrics" in the same form as in
8 your declaration, that is the metrics that ended up
9 being proposed to the court?

10 MR. SLACK: Objection to the form of the
11 question.

12 THE WITNESS: So when I reviewed -- I'm
13 sorry --

14 BY MR. JULIAN:

15 Q. When you first reviewed the debtors'
16 proposed 2019 STIP, were the metrics in the form
17 exactly like it is on page 7 of your declaration?

18 A. I don't recall the details under each of
19 the metrics to know whether there were any
20 modifications made to the metrics. I know initially
21 the weights were slightly different than when we
22 first reviewed it. Beyond that --

23 Q. So let's go -- I appreciate it.

24 Did I cut you off?

25 A. No.

1 Q. Let's go back to Exhibit 2 for a baseline.

2 Go to that page WP dash --

3 MR. SLACK: WP 4 dash.

4 BY MR. JULIAN:

5 Q. -- 38 and 39. There you go.

6 A. So this is the 28 -- 2018, I should say.

7 Q. Yeah.

8 So Mr. Mistry identified this as the 2018
9 STIP structure and performance targets in his
10 deposition.

11 You'll see that, for example, the Public
12 Safety Index has 10 percent weight for three things:
13 Vegetation non-exempt pole clearing, 25 percent;
14 routine line vegetation management, 50 percent; and
15 tree mortality mitigation program, 25 percent.

16 And if you go back to your declaration,
17 you'll see that has changed in the wording to
18 "enhanced vegetation management and system
19 hardening."

20 So does that refresh your recollection as
21 whether -- withdraw the question.

22 Let me ask you, which format was the STIP
23 in when you first started working on it?

24 MR. SLACK: Objection to the form.

25 You can answer.

1 BY MR. JULIAN:

2 Q. The 2018 version or the one that you have
3 in front of you, 2019?

4 MR. SLACK: Objection to the form.

5 THE WITNESS: I don't recall what the original
6 version of the 2019 STIP metrics were.

7 BY MR. JULIAN:

8 Q. Okay. Back to your declaration, page 5.
9 We left off at line 5; right?

10 A. Um-hum.

11 Q. You testified, "This evaluation resulted
12 in a modification of the performance metrics to put
13 a greater emphasis on safety and financial
14 performance and the timing and level of potential
15 awards to address the uncertainties associated with
16 the Chapter 11 cases in the absence of any LTIP
17 grants in 2019."

18 Let me ask you a question about the first
19 part of your answer -- or testimony.

20 What modification was made in the
21 performance metrics to put a greater emphasis on
22 safety?

23 A. Well, I'm referring to the greater
24 emphasis on safety and financial performance.

25 Q. So that's a question on my part.

1 Were there any modifications made between
2 the 2018 STIP and the 2019 STIP that resulted in a
3 greater emphasis on safety?

4 MR. SLACK: Objection to the form of the
5 question.

6 THE WITNESS: Relative to the weight that was
7 placed on safety in both the 2018 and the 2019
8 plans, both had 50 percent of the weighting under
9 the STIPs applied to them. So from that standpoint,
10 both had equal weighting relative to safety, but in
11 both were the most significant component of the
12 STIP, in both cases.

13 BY MR. JULIAN:

14 Q. When you say "both were," what --

15 A. I'm sorry. The 2018 STIP and the 2019
16 STIP both had 50 percent of the overall performance
17 weighting aligned with safety.

18 Q. Well -- thank you. So they both had the
19 same weighting.

20 Was there greater emphasis on safety in
21 the 2019 than the 2018 STIP, in your view, in any
22 respect?

23 MR. SLACK: Objection to the form.

24 THE WITNESS: Beyond the weighting being
25 equivalent, I can't speak to whether there's more

1 emphasis in terms of the underlying metrics that
2 were in them. To me both had 50 percent tied to
3 safety.

4 BY MR. JULIAN:

5 Q. Was there a greater emphasis on financial
6 performance in the 2019 STIP versus the 2018 STIP?

7 A. Yes.

8 Q. How so?

9 A. The weighting on financial performance was
10 increased from 25 percent of the overall performance
11 score in the 2018 STIP to 40 percent of the overall
12 performance weighting in the 2019 STIP.

13 Q. Who first proposed that?

14 A. I first proposed increase in the weight on
15 financial performance as part of my initial guidance
16 to the committee, the compensation committee.

17 Q. What were your reasons?

18 A. That in a restructuring situation, in
19 particular, but in general in companies, by having a
20 strong focus on financial results can provide
21 benefits to all stakeholders, by having a viable
22 entity that -- which you can make investments in
23 safety and people across the enterprise. So it
24 really starts with having a strong financial base in
25 which to fund all of those investments.

1 Q. So you're saying that factor is applicable
2 whether in bankruptcy or not?

3 A. I would say arguably -- yes, to answer
4 your question. In fact, I'd say it's actually more
5 applicable in bankruptcy given the nature of the
6 situation in terms of trying to maintain the estate
7 to maximize value for all stakeholders.

8 Q. Did you explain that to the committee?

9 A. I did.

10 Q. Did anyone explain a contrary view?

11 MR. SLACK: Objection to the form of the
12 question.

13 THE WITNESS: In what way? Is there --

14 BY MR. JULIAN:

15 Q. Did anyone say that the performance factor
16 should stay at 25 percent?

17 A. The performance factor for the financial
18 metric should stay at 25 percent?

19 Q. Yes.

20 A. There was discussion around the entire
21 plan, so in terms of the weightings and the
22 different metrics and how they're constructed.

23 Q. Did anyone say to you, we think it should
24 be staying at 25 percent, the financial performance?

25 A. I don't recall that statement, no, of

1 anybody making that statement.

2 Q. Was it a close debate on going from 25 to
3 40?

4 MR. SLACK: Objection to the form of the
5 question.

6 THE WITNESS: I'm not sure how you define
7 "close," what a close debate would be. But, yeah,
8 in fact, I think initially we had suggested a
9 35 percent weighting on financial. And so there's
10 discussions beginning to think about it. As the
11 committee talked about it, it was modified to
12 40 percent in subsequent discussions.

13 BY MR. JULIAN:

14 Q. Did anyone give you any audits or reports
15 on safety to consider in making that recommendation?

16 MR. SLACK: Objection to the form.

17 THE WITNESS: No.

18 BY MR. JULIAN:

19 Q. Did anyone give you any reports or orders
20 by the PUC with respect to safety?

21 A. Not that I'm aware of, no.

22 Q. Anyone give you any reports or orders from
23 the PUC with regard to modification of the STIP?

24 A. No.

25 MR. JULIAN: Show you Exhibits 21 and 22.

1 (Tort Committee Exhibits 21 and 22 were
2 marked.)

3 BY MR. JULIAN:

4 Q. I'm going to identify each one for the
5 record.

6 A. Go ahead.

7 MR. JULIAN: Exhibit 21 is the decision
8 ordering Pacific Gas and Electric Company to
9 implement the recommendations of the NorthStar
10 report. Date of issuance, December 5, 2018. Issued
11 by the Public Utilities Commission of the State of
12 California in Investigation 15-08-019.

13 And Exhibit 22, on the second page, is
14 entitled, "Assessment of Pacific Gas and Electric
15 Corporation and Pacific Gas and Electric Company
16 Safety Culture. Prepared for California Public
17 Utilities Commission. May 8, 2017. Final Report,
18 By NorthStar Consulting Group."

19 BY MR. JULIAN:

20 Q. And I'll represent to you -- this is a
21 couple hundreds pages long, but I've taken excerpts
22 out of it.

23 So let me start with Exhibit 21.

24 Have you ever seen Exhibit 21 before?

25 A. I don't believe so, no.

1 Q. Did you and your team consider Exhibit 21
2 in connection with your STIP work for the debtors?

3 A. Not that I'm aware of, no.

4 Q. Have you ever seen Exhibit 22 before, a
5 Safety Culture Report by NorthStar Consulting Group?

6 A. No, not that I'm aware of.

7 Q. So Exhibit 21, let's look at that.

8 At the last page of this PUC order, PUC
9 has ordered Pacific Gas and Electric Company to
10 implement the recommendations set forth in the
11 NorthStar report no later than July 1, 2019; right?

12 A. I see that, yes.

13 Q. And then paragraph 2 of the order says,
14 "Pacific Gas and Electric Company is ordered to
15 submit quarterly reports on the status of its
16 implementation of the recommendations set forth in
17 the NorthStar report to the Commission's safety
18 enforcement division and to serve those reports to
19 the service list for this proceeding beginning the
20 fourth quarter of 2018."

21 Do you see that?

22 A. I do.

23 Q. Now, I understand you're not familiar with
24 this document, Exhibit 22, but I'm going to take you
25 to the last three pages, to the recommendations of

1 NorthStar to which the PUC order refers.

2 So we're looking at the third-to-the-last
3 page, which is marked VII-19, and the
4 recommendations on the bottom of that page.

5 Do you see that?

6 A. The highlighted -- well, I see the
7 recommendations for PG&E, yes.

8 Q. So let's start before the highlighting.

9 The first sentence of the recommendations
10 by NorthStar, which the PUC has ordered be
11 considered, are "None of the key performance
12 indicators currently considered for use in measuring
13 safety culture should be included as an incentive
14 measure," as part of the STIP or the LTIP.

15 Do you see that?

16 A. I do.

17 Q. Did anyone tell you that the PUC had
18 ordered PG&E to implement that recommendation?

19 A. No.

20 Q. The next highlighted part in that
21 paragraph says, "Most of the proposed metrics are
22 based on either employee surveys or near hit/CAP
23 reporting. Incentives tied to employee submittals
24 will ensure targets are met and may minimize the
25 value of the submittals (for example, a sudden

1 influx of not particularly meaningful submittals
2 prior to the end of a reporting period). Similarly,
3 an incentive tied to survey results will drive
4 positive reporting rather than true results."

5 Did you or your team look at anything
6 dealing with that subject in evaluating the metrics?

7 A. No.

8 Q. Paragraph 4, recommendation reads,
9 "Re-evaluate the appropriateness of the earning from
10 operations component of the STIP due to its lack of
11 transparency and the ongoing adjustments for items
12 impacting comparability."

13 Did anyone tell you that recommendation
14 had been ordered by the PUC?

15 A. They did not.

16 Q. Did or your team evaluate the
17 appropriateness of earning from operations component
18 of the 40 percent financial performance metric?

19 A. We did consider an earnings from
20 operation-like measure, a profit measure. And
21 all -- in fact, all of PG&E's peers have some form
22 of financial metric in their incentive plan, their
23 STIP equivalent. Many companies have different
24 definitions of that.

25 So we didn't get into the exact details of

1 this particular measure, but the very fact of having
2 an earnings from operations or an operating
3 earnings-type measure is very common, and we
4 considered that in our deliberations.

5 Q. What did you tell the compensation
6 committee about the propriety of an earning from
7 operations component of the STIP?

8 A. That having some form of earnings metric,
9 an earnings from operation metric, would be very
10 common with companies in general. It's common --
11 their industries peers and even more common in a
12 restructuring. Some definition of a metric of
13 operating earnings or cash flow, which is oftentimes
14 a synonymous metric, is very common in a
15 restructuring situation.

16 Q. Have you heard of NorthStar before?

17 A. No.

18 Q. Does it surprise you that some report was
19 made to the PUC that they adopted, said that the
20 current emphasis on financial performance had the
21 lack of transparency to it?

22 MR. SLACK: Objection to the form of the
23 question.

24 THE WITNESS: I'm not familiar with NorthStar
25 or their work, so I can't really comment on the

1 propriety of any of the comments in the document.

2 BY MR. JULIAN:

3 Q. Do you think there's any lack of
4 transparency in the financial performance metric?

5 A. Not that I'm aware of.

6 Q. The fifth recommendation is to "Revisit
7 all STIP metrics and targets in light of the
8 enterprise-wise Safety plan recommended by
9 NorthStar."

10 Did you do that?

11 A. We did not -- I did not.

12 Q. Pardon me?

13 A. I did not, no.

14 Q. Did your team do that?

15 A. Not that I'm aware of, no.

16 Q. The next sentence reads, "Set multiyear
17 targets to drive performance."

18 Did your team make that recommendation?

19 A. No, because typically in a restructuring,
20 you don't have multiyear targets. If anything, you
21 would have shorter term targets through the
22 restructuring process.

23 Q. You said "No, because," so does that mean
24 you knew about this recommendation?

25 MR. SLACK: Objection to the form of the

1 question.

2 THE WITNESS: No. I'm sorry. I thought you
3 asked me if we looked at multiyear targets, not
4 relevant to this -- to this specific -- just in
5 general, the concept of multiyear targets.

6 BY MR. JULIAN:

7 Q. You wouldn't normally do that, is what
8 you're saying?

9 A. We would not normally have multiyear
10 targets in an incentive plan -- a STIP-like
11 incentive plan for a company in a restructuring
12 situation.

13 Q. The next sentence reads, "Include a
14 contractor safety metric in the STIP."

15 Did you advise the committee to include a
16 contractor safety metric in the STIP?

17 A. No, we didn't -- no, we didn't advise any
18 specific safety metrics.

19 Q. Does the 2019 STIP have a contractor
20 safety metric in it?

21 A. I don't know. I don't believe so.

22 Q. Next sentence recommends, "Following the
23 development of the enterprise safety plan, PG&E
24 should develop STIP and BPR metrics that measure
25 plan implementation adoption and the effectiveness

1 of the various initiatives identified in the plan."

2 Do you have any idea what that means?

3 A. Not really. I don't know what "BPR"
4 stands for. I think it's just saying they should
5 have these types of metrics. But, no -- beyond
6 that, no, I don't know what it's saying.

7 Q. Last page, on Point No. 4, highlighted
8 that. This is a recommendation for the Commission.
9 The highlighted portion reads, "As with any
10 incentive mechanism, the potential for gaming is
11 real."

12 Did you evaluate whether there was a
13 potential for gaming in the PG&E 2019 STIP?

14 MR. SLACK: Objection to the form of the
15 question.

16 THE WITNESS: I'm not sure what "gaming" means
17 in the context of this point. So, no, because I
18 don't know what they mean by "gaming."

19 BY MR. JULIAN:

20 Q. Do you know if any -- well, let's explore
21 that.

22 Do you know if any of the 2019 metrics
23 relied upon PG&E employees' reports of the success
24 of safety measures or financial performance?

25 MR. SLACK: Objection to the form.

1 THE WITNESS: I don't.

2 BY MR. JULIAN:

3 Q. Do you understand my question?

4 A. You asked me if the metrics rely on
5 employees reporting results as the basis for
6 determining performance under the 2019 STIP.

7 Q. Yes.

8 A. And I don't know exactly the basis for the
9 metrics.

10 Q. What you're saying is that there could be,
11 there could not be; you just don't know?

12 A. Correct.

13 Q. Got it.

14 I think what they're saying about gaming
15 is if the metrics rely upon individual employee's
16 reports of their performance, they could be gaming
17 the system in order to make the performance metrics'
18 targets met?

19 MR. SLACK: Objection to the form of the
20 question.

21 THE WITNESS: Well, I can't speak to what
22 they're referring to because that's -- you're
23 speculating what they may be saying.

24 But I will say that in any incentive plan,
25 there is always the possibility that individuals

1 could somehow manipulate results to improve the
2 performance of the plan. That's a function of any
3 incentive plan and whether -- whoever measures it.
4 And that's why there are systems in plan to guard
5 against that, governing systems, auditing systems,
6 so forth.

7 BY MR. JULIAN:

8 Q. Do you have any opinion as to whether or
9 not you believe PG&E should have given you this
10 Exhibit 21 and 22 in order for you to do your job on
11 the 2019 STIP?

12 MR. SLACK: Objection to the form.

13 THE WITNESS: I don't believe that it was
14 necessary for us to have seen this input. This is
15 input for them to consider in determining the
16 appropriate performance metrics.

17 BY MR. JULIAN:

18 Q. And you did not do that?

19 A. Do what? I'm sorry.

20 Q. Did you determine appropriate performance
21 metrics?

22 A. No, we did not determine the performance
23 metrics for the plan.

24 Q. What did you do with respect to
25 performance metrics?

1 A. We observed the performance metrics that
2 were -- that had been used in the 2018 STIP and were
3 being proposed in the 2019 STIP and provided input
4 as to whether or not -- as a general class of
5 metrics, safety, customer satisfaction, financial,
6 whether those types of metrics are common metrics in
7 incentive plans.

8 Q. Did you advise the committee on whether
9 those metrics in the 2019 STIP plan were reasonable?

10 A. Again, the broad category of metrics,
11 safety, financial, customer engagement, having those
12 types of metrics in the 2019 STIP, yes, we did
13 advise them that those types of metrics in a STIP
14 plan, investment plan, are reasonable -- is
15 reasonable.

16 Q. Don't you think you should have been given
17 an order that talks about whether those types of
18 metrics are reasonable?

19 MR. SLACK: Asked and answered. Objection to
20 the form.

21 THE WITNESS: Again, what we advised on was
22 having these types of metrics. We did not advise on
23 what specific metrics within those categories were
24 most effective at helping them achieve their
25 business objectives.

1 BY MR. JULIAN:

2 Q. Okay. Let's go through some of the
3 documents in front of you. We'll start with
4 Exhibit 3.

5 Were you given a copy of Exhibit 3?

6 A. No, not that I'm aware of.

7 Q. Exhibit 4?

8 MR. SLACK: Can I -- sorry.

9 What do I push on this? I'm not familiar
10 with --

11 (Discussion off the record.)

12 BY MR. JULIAN:

13 Q. Exhibit 4 is Judge Montali's order
14 authorizing the establishment of a management
15 retention program dated July 13, 2001 in the first
16 Pacific Gas and Electric Company Chapter 11.

17 Did you and your team consider this order?

18 A. No.

19 Q. Exhibit 5 is an e-mail chain among Pacific
20 Gas employees about the Caribou-Palermo line.

21 I don't suppose you looked at this.

22 A. No.

23 Q. Exhibit 6 is CAL FIRE's April 28, 2016
24 news release determining the cause of the
25 destructive Butte fire.

1 Did your team consider that?

2 A. No.

3 Q. Exhibit 7 is an e-mail chain dealing with
4 near hits on the Caribou-Palermo line, among other
5 things.

6 Did your team review this?

7 A. No.

8 Q. Exhibit 8 is the judgment in the criminal
9 case brought against Pacific Gas arising out of the
10 San Bruno gas explosion.

11 Did your team consider that?

12 A. No, did not review this.

13 Q. Are you aware that Pacific Gas was
14 convicted of various counts of gas pipeline safety
15 violations in connection with the San Bruno
16 explosion?

17 MR. SLACK: Objection to the form.

18 THE WITNESS: I had seen reports that there had
19 been actions in the past, so I was aware of general.

20 BY MR. JULIAN:

21 Q. Did you consider that in connection with
22 your engagement?

23 A. No.

24 Q. And are you aware that the jury convicted
25 Pacific Gas of obstructing the National

1 Transportation and Safety Board's investigation of
2 the San Bruno explosion?

3 MR. SLACK: Objection to the form.

4 THE WITNESS: No.

5 BY MR. JULIAN:

6 Q. Did you consider that in your engagement?

7 A. No.

8 Q. Exhibit 9 is a CAL FIRE May 25, 2018 news
9 release about determining the cause of four
10 wildfires in Butte and Nevada counties stating,
11 among other things, in those bullet points that
12 CAL FIRE has determined the fire was caused by tree
13 branches falling onto PG&E power lines.

14 Did you consider that report in connection
15 with your engagement?

16 MR. SLACK: Objection to the form.

17 THE WITNESS: I did not consider this report,
18 no.

19 BY MR. JULIAN:

20 Q. Exhibit 10 is a June 8, 2018 CAL FIRE news
21 release dealing with the determination of the causes
22 of 12 wildfires in 2017.

23 Did you consider that in connection with
24 your engagement?

25 A. I did not consider this report, no.

1 Q. Exhibit 11 is a PUC order instituting
2 investigation and order to show cause, date of
3 issuance December 14, 2018, dealing with, among
4 other things, an allegation that PG&E's employees
5 falsified locate-and-mark records dealing with
6 underground excavations where utility lines were.

7 Did you consider that in your report?

8 MR. SLACK: Objection to the form.

9 THE WITNESS: I did not, no.

10 BY MR. JULIAN:

11 Q. Exhibit 12 is a probation officer report
12 dated -- what's the date -- filed in the criminal
13 action involving PG&E on January 9, 2019 dealing
14 with whether or not the probation officer thought
15 that PG&E had reported a settlement with the Butte
16 County District Attorney's Office.

17 Did you consider that in connection with
18 your engagement?

19 A. I did not consider this, no.

20 Q. Exhibit 13 is in order to show cause
21 issued by Federal Judge Alsup on January 9, 2019 in
22 the criminal action involving Pacific Gas and
23 Electric, dealing with whether or not PG&E's
24 conditions of probation should be modified.

25 Did you consider that in connection with

1 your engagement?

2 MR. SLACK: Objection to the form.

3 THE WITNESS: No, I did not consider this
4 document.

5 BY MR. JULIAN:

6 Q. So did anyone advise you or inform you
7 that Federal Judge Alsup was considering imposing
8 new conditions of probation dealing with imposing a
9 wildfire mitigation plan on PG&E?

10 MR. SLACK: Objection to the form.

11 THE WITNESS: No, not that I recall.

12 BY MR. JULIAN:

13 Q. And were you aware that Judge Alsup has
14 issued an order stating that he is going to impose
15 the new conditions on April 2, 2019?

16 A. No.

17 Q. So did -- in your discussions with the
18 compensation committee, did the compensation
19 committee or you consider holding off on creating
20 the wildfire safety metric in the 2019 metrics until
21 finding out what wildfire safety metric Judge Alsup
22 was going to impose on PG&E?

23 MR. SLACK: Objection to the form of the
24 question.

25 THE WITNESS: No. The discussion was all

1 around -- that I was part of was around safety and
2 importance of safety for the company and having an
3 incentive plan that reinforced that.

4 BY MR. JULIAN:

5 Q. And if the federal judge imposes a safety
6 metric totally different than the safety metric in
7 that 10 percent in the 2019 metrics, do you think
8 you would have to re-evaluate it?

9 MR. SLACK: Objection to the form of the
10 question.

11 THE WITNESS: Well, the plan is a matter of the
12 design. There is -- ultimately it's up to the
13 compensation committee's discretion in terms of how
14 the plan is adjudicated and paid over time. So I
15 would assume that they would take any new
16 information into account as they consider the
17 payments.

18 Again, the plan is just a prospective
19 plan. There's nothing guaranteed in the plan. So
20 it's a matter of how the company performs against
21 the metrics over the course of the year and
22 quarters.

23 BY MR. JULIAN:

24 Q. And if the law changes on what the metrics
25 should be, shouldn't they be changed?

1 MR. SLACK: Objection to the form of the
2 question.

3 THE WITNESS: Again, I think that -- in cases
4 that I'm -- in situations I'm involved in, the
5 compensation committee again retains the discretion,
6 as they do here, to make adjustments to the payouts
7 that would be provided under the plan as new
8 information is brought forth.

9 BY MR. JULIAN:

10 Q. Do you remember when the compensation
11 committee approved the 2019 STIP?

12 A. I do.

13 Q. When?

14 A. I believe it was at the January 23rd
15 compensation committee meeting.

16 Q. Did you do any work for PG&E with respect
17 to the 2019 compensation STIP? Sorry. After
18 January 23rd?

19 A. Other than respond to questions that were
20 posed to us, no.

21 Q. And who posed the questions to you?

22 A. It would have been management posing
23 questions.

24 Q. What questions did management propose?

25 MR. SLACK: So I'm going to instruct you to the

1 extent that there were communications that were --
2 and questions that were done in connection with
3 litigation or the bankruptcy, as opposed to advising
4 the board, I would instruct you not to answer on the
5 grounds of privilege and work product.

6 THE WITNESS: Okay.

7 MR. SLACK: Okay.

8 THE WITNESS: So would you repeat the question
9 then, please.

10 BY MR. JULIAN:

11 Q. Yes.

12 What questions did management ask you,
13 unless your counsel says counsel participated in the
14 questioning?

15 MR. SLACK: No, that's not the instruction.
16 That's not the instruction. The instruction is
17 whether it's coming from management.

18 But if the design was to work with the
19 lawyers in connection with the bankruptcy
20 proceeding, such as this motion, for example, that's
21 privileged and you shouldn't be discussing it.

22 THE WITNESS: Okay.

23 So with respect to the 2019 STIP, the
24 questions that were posed post the 23rd, that I
25 recall, really had to do with two modifications that

1 were made to the STIP prior -- sorry -- following
2 the committee's approval on January 23rd.

3 One was the inclusion of an individual
4 performance modifier, and the second was to modify
5 the target opportunities for certain individual --
6 I'm sorry -- certain participants in the 2019 STIP
7 by increasing them by 25 percent of the target
8 opportunities.

9 And the question was simply, we're
10 contemplating doing this. What do you think?

11 BY MR. JULIAN:

12 Q. And then did they do it?

13 A. They did -- it's my understanding, yes,
14 that they proceeded with those two modifications.

15 Q. How was the individual performance
16 modifier changed after January 23rd?

17 A. The individual performance modifier in the
18 2019 STIP -- there actually was no individual
19 performance modifier in the 2019 STIP as approved by
20 the compensation committee on January 23rd.

21 Q. So go to Exhibit 17, your declaration.

22 And tell me where in your declaration you
23 discuss the individual performance modifier.

24 A. It is on page -- I think it's 10 -- or 6
25 of 10, I guess it is, in line 16.

1 And so, again, to -- what was approved on
2 January 23rd did not have this provision.

3 Q. Did management tell you why they made that
4 change?

5 A. They did.

6 Historically the company had an individual
7 performance component, "historically" meaning in the
8 2018 STIP. And, my understanding, in STIPs prior to
9 that, there was an individual performance modifier.

10 My recommendation to them is -- back in
11 early January -- January 23rd was they would not
12 have an individual performance modifier. And so
13 subsequent to that, management recommended that --
14 they felt it was important to reinstitute the
15 individual modifier that they had historically.

16 Q. Why did you suggest, in connection with
17 the January 23rd approval, not to have an individual
18 performance modifier?

19 A. Because in a restructuring situation where
20 there are many changes that are going on with the
21 business, there's a significant amount of
22 uncertainty, there's a lot of -- just a lot of
23 uncertainty, what I have found is that it's much
24 simpler, much less complex -- the majority have a
25 lot of complexity happening -- to not have an

1 individual component, to say that everybody in this
2 plan for this period of time is measured on the same
3 basis; in this case, the 50 percent on safety, the
4 40 on financial, and the 10 on customer
5 satisfaction.

6 And it just provides more clarity, more
7 certainty during the restructuring period, more
8 simplicity, which is good.

9 Q. Okay. And where is the target opportunity
10 for 25 percent? Same place?

11 A. No. Let's see. I'm looking to see . . .

12 Q. The 25 percent change that you referred to
13 a moment ago is not in the same paragraph, 4(b)?

14 A. No, that was the -- for the 10 percent of
15 the population that are viewed as high performers,
16 they're eligible for an additional 25 percent award.

17 And in addition to that -- and let me see
18 if it's referenced in here. Not recalling exactly
19 where it's at. And I may not have actually
20 mentioned it because it's not part of what we had
21 looked at in terms of the opportunities. So I don't
22 think it is referenced in here because, again, I
23 wasn't commenting on the opportunity levels of
24 participants.

25 Q. I think I'll come back to that.

1 A. Okay.

2 Q. The debtors filed a motion for approval of
3 2018 STIP awards and then withdrew that motion in
4 February, February 28.

5 Did the debtors or Weil seek your advice
6 on asking for approval or withdrawal of the 2018
7 STIP?

8 MR. SLACK: So to the extent -- you can answer
9 that question with respect to the company. You
10 cannot answer that -- I would instruct you not to
11 answer with respect to Weil.

12 THE WITNESS: So, no, the company did not seek
13 our advice on whether or not to pay the 2018 STIP
14 award.

15 BY MR. JULIAN:

16 Q. And did you discuss that topic with Weil?
17 But don't tell me what was discussed.

18 MR. SLACK: I'm going to instruct you not to
19 answer the question.

20 BY MR. JULIAN:

21 Q. Have you been retained by Weil as an
22 expert witness?

23 A. We have been retained by Weil. I don't
24 know the designation of that only because I just
25 don't know the legal designation versus -- I don't

1 know the legal designation . . . so I don't know.

2 Q. Okay. Did anyone from the company explain
3 to you why the company withdrew the request for
4 bankruptcy court's approval of the 2018 STIP awards?

5 A. It was discussed at the compensation
6 committee meeting in February, February 19th. So
7 they didn't explain it to me, but it was discussed
8 at the compensation committee. And management made
9 the recommendation. My recollection is just in
10 respect to the restructuring, the management was
11 recommending to make -- to recommend that decision.

12 Q. What was discussed as to the reason why
13 the recommendation was made?

14 A. It was my recollection it was just that
15 going through the restructuring process, they
16 thought that was the right answer, given all that
17 goes into the restructuring process.

18 Q. Did you have an opinion on it?

19 A. No.

20 Q. Did you offer any advice with respect to
21 the withdrawal?

22 MR. SLACK: Objection to the form.

23 THE WITNESS: No.

24 BY MR. JULIAN:

25 Q. Did you offer any comments?

1 A. No.

2 Q. Did you have a view as to whether or not
3 the withdrawal of the 2018 STIP award request was
4 prudent?

5 A. No.

6 Q. Did you advise the compensation committee
7 whether or not they should investigate whether or
8 not employees' work contributed to the San Bruno
9 explosion?

10 A. I did not.

11 Q. Gas safety violations?

12 MR. SLACK: Objection to the form.

13 THE WITNESS: I did not.

14 BY MR. JULIAN:

15 Q. Obstruction of justice?

16 MR. SLACK: Objection to the form.

17 THE WITNESS: I did not.

18 BY MR. JULIAN:

19 Q. 2015 Butte fire?

20 MR. SLACK: Objection to the form.

21 THE WITNESS: No.

22 BY MR. JULIAN:

23 Q. 2016 Ghost Ship fire?

24 MR. SLACK: Objection to the form.

25 THE WITNESS: No.

1 BY MR. JULIAN:

2 Q. 2017 fires?

3 MR. SLACK: Objection to the form.

4 THE WITNESS: No.

5 BY MR. JULIAN:

6 Q. 2018 fires?

7 MR. SLACK: Objection to the form.

8 THE WITNESS: No.

9 BY MR. JULIAN:

10 Q. Did the compensation committee change the
11 2018 STIP annual review and annual payment to a
12 quarterly review and payment?

13 A. It did.

14 Q. Who proposed that?

15 A. I did.

16 Q. And did you discuss it with the
17 compensation committee?

18 A. I did.

19 Q. Did you discuss the reason?

20 A. I did.

21 Q. What did you discuss?

22 A. That in my experience, given the
23 uncertainty, the amount of external factors that
24 impact employees' engagement in the business and
25 making sure that they achieve the goals, which

1 ultimately we're trying to do -- that's what the
2 incentive plan is for, to try to drive the
3 performance -- that having shorter measurement
4 periods that provide more close-in line of sight,
5 i.e., quarterly, is appropriate to drive that.

6 Also the fact that in a structuring,
7 non-annual incentives, whether it's quarterly,
8 semi-annually, are common. In fact, the majority of
9 plans in restructurings don't maintain an annual
10 measurement period. They go to a different
11 measurement period, most often quarterly.

12 Q. When you gave that advice, were you aware
13 that CAL FIRE had said that PG&E's equipment caused
14 the 2015 Butte fire?

15 MR. SLACK: Objection to the form.

16 THE WITNESS: Well, I don't know what CAL FIRE
17 said, but, no, I wasn't aware of any reports of
18 other entities.

19 BY MR. JULIAN:

20 Q. When you gave that advice, did you know
21 that CAL FIRE's investigators determined that some
22 of PG&E's equipment caused some of the 2017 fires?

23 MR. SLACK: Objection to the form.

24 THE WITNESS: Again, not knowing what CAL FIRE
25 said, no. I wouldn't have --

1 BY MR. JULIAN:

2 Q. When you gave that advice, were you aware
3 that PG&E's own officials believed that it was
4 probable that their equipment in the Paradise area
5 was the ignition point for the 2018 Camp fire?

6 MR. SLACK: Objection to the form.

7 THE WITNESS: Again, not knowing whether the
8 individuals said all that or -- no, I didn't take
9 that into account.

10 BY MR. JULIAN:

11 Q. So here's the problem for the tort
12 committee: In the last four years, we have three
13 fires which the officials in PG&E have said was
14 caused by PG&E's equipment. And the tort committee
15 believes there's a chance there could be another
16 fire in 2019. And the 2017 fire was on October 8,
17 the 2018 fire was on November 8, 2018.

18 And how do you respond to the criticism of
19 the quarterly payments --

20 MR. SLACK: Objection to the form of the
21 question.

22 BY MR. JULIAN:

23 Q. -- that three-fourths of the STIP awards
24 could be out the door to the employees before
25 finding out whether their work contributed to a

1 fourth fire in five years?

2 MR. SLACK: Objection to the form of the
3 question.

4 THE WITNESS: I think that -- again, this plan
5 is a prospective plan, and the company has the
6 ability to manage the payments throughout the
7 period, whether or not they want to, as a committee,
8 make the payments.

9 I also think there are other mechanisms to
10 address any form of issues that may come up in terms
11 of negative impacts on the company, whether that's
12 terminating employees, performance plans, holding
13 back compensation on a go-forward basis.

14 So the 2019 STIP is a single tool in the
15 company's overall portfolio to align the behaviors
16 and to reinforce the objective of the company.

17 BY MR. JULIAN:

18 Q. In this discussion on changing the annual
19 STIP payment to a quarterly payment, was there any
20 discussion at the compensation committee meetings
21 that you attended about the wisdom or propriety of
22 paying out the money before the company found out if
23 there was going to be yet another fire in
24 October/November of 2019?

25 MR. SLACK: Objection to the form.

1 BY MR. JULIAN:

2 Q. Any discussion at all about that?

3 MR. SLACK: Objection to the form.

4 THE WITNESS: There was discussion around the
5 fact that there were going to be payments made
6 throughout the year, in general, as a general
7 matter, and the notion of so-called claw-backs, the
8 phrase that people used, ability to claw back.

9 So, yes, there was discussion. And there
10 was -- it was the balancing of providing back to --
11 certainty to employees there would be some payment
12 coming out of this program with the potential that
13 actions or outcomes could happen during the course
14 of the year that may be counter to what they were
15 trying to achieve.

16 Yes, there was discussion on that.

17 BY MR. JULIAN:

18 Q. But my question was, did any director say
19 the words, "There might be a fire in 2019. We
20 should rethink that"?

21 Those words -- were those words said, that
22 concept?

23 MR. SLACK: Objection to the form of the
24 question.

25 THE WITNESS: I don't recall any director

1 saying those exact words.

2 BY MR. JULIAN:

3 Q. How about something like it?

4 MR. SLACK: Objection --

5 BY MR. JULIAN:

6 Q. Anything at all about the fires discussed?

7 MR. SLACK: Objection to the form of the
8 question.

9 THE WITNESS: There was significant discussion
10 around safety, and fire obviously is part of that.

11 BY MR. JULIAN:

12 Q. Move to strike your answer. Not
13 responsive.

14 MR. SLACK: You can't interrupt the witness.

15 So if you're done, you're done; it's fine.
16 But just because the questioner here doesn't like
17 the answer, you're entitled to finish. So if you're
18 finished, great; if not, you should finish.

19 BY MR. JULIAN:

20 Q. Go ahead, Mr. Friske.

21 A. So there -- again, there was significant
22 discussion around safety and around how fire plays a
23 role in -- fire mitigation plays in that and how
24 that interacts with the incentive plan, the
25 short-term incentive plan.

1 Q. Was there any discussion about the
2 possibility of a fire in October/November of 2019?

3 MR. SLACK: Objection to the form.

4 THE WITNESS: There was a discussion about the
5 possibility of fire at any point in time and the
6 desire to make sure that that risk was --

7 BY MR. JULIAN:

8 Q. What was said about that?

9 MR. SLACK: Objection.

10 You know what, we're not -- twice
11 you've -- I know you don't mean to, but -- because
12 you're anxious, but there's twice that you've
13 interrupted him.

14 BY MR. JULIAN:

15 Q. Go ahead and finish.

16 MR. SLACK: What I would like to do is --

17 Do you need where you are in your answer
18 read back?

19 THE WITNESS: Yes, please.

20 MR. SLACK: Can you read back where the witness
21 was in his answer. And read back the question also.

22 (Record read by reporter as follows:

23 "Question: Was there any discussion about
24 the possibility of a fire in
25 October/November of 2019?")

1 THE REPORTER: There was an objection.

2 (Record read by reporter as follows:

3 "Question: There was a discussion about
4 the possibility of fire at any point in
5 time and the desire to make sure that that
6 risk was --")

7 THE WITNESS: Mitigated. Period.

8 BY MR. JULIAN:

9 Q. What was the discussion on that point?

10 A. That there needed to be significant
11 emphasis placed on mitigating -- or safety across
12 the board, but, in particular, fire mitigation.

13 Q. Was there discussion about increasing the
14 metric from 10 percent?

15 A. I recall discussions around all the metric
16 weightings. I don't recall specifically to that
17 point, whether there was discussion.

18 Q. Was there any discussion at the
19 compensation committee level about giving greater
20 weight to fire mitigation safety than financial
21 performance?

22 MR. SLACK: Objection to the form of the
23 question.

24 THE WITNESS: No, I don't recall that
25 discussion of those factors.

1 MR. SLACK: So we're about an hour, and so it's
2 up to you.

3 MR. JULIAN: Good point.

4 MR. SLACK: Good point? All right. Let's do
5 it.

6 (Recess taken.)

7 BY MR. JULIAN:

8 Q. Back on the record.

9 Mr. Friske, if you could turn to
10 Exhibit 2, to page WP 4-40 and -41, toward the end.

11 A. Um-hum.

12 Q. This is PG&E's description of the STIP
13 calculation for 2018. And on page WP 4-41,
14 paragraph 4, there's a section on individual
15 employee STIP payments.

16 Do you see that?

17 A. I do.

18 Q. And it says that "Leaders may modify
19 employee STIP payment based on his or her individual
20 performance."

21 Is that part of the 2019 plan?

22 A. It is for up to 10 percent of the
23 population. So not everyone can have an adjustment.
24 Only 10 percent of the participants in the 2019
25 STIP.

1 Q. What about the other 90 percent?

2 A. They aren't eligible for any individual
3 modifier.

4 Q. And what's the modifier for the 10 percent
5 pool?

6 A. 25 percent adjustment to the calculated
7 award.

8 Q. Upward?

9 A. Correct.

10 Q. Is there any possibility for the
11 individual personal performance modifier to go
12 downward for 2019?

13 A. There is not.

14 Q. And that's a change from 2018; right?

15 A. Correct. But it's also a change, and it's
16 only eligible for the top -- the highest performers,
17 the top 10 percent performers.

18 Q. Under the 2018, was the individual
19 performance modifier zero to 1.5?

20 A. I'm not sure what the individual modifier
21 was in 2018, under the 2018 STIP.

22 Q. But under the 2018 STIP, the modifier
23 could take the employee down to zero for the entire
24 pool; right?

25 A. I don't know.

1 Q. So what did you know about the performance
2 modifier for 2018 when you recommended the 2019
3 STIP?

4 MR. SLACK: Objection to the form of the
5 question.

6 THE WITNESS: That there was an individual
7 performance modifier.

8 BY MR. JULIAN:

9 Q. Did you know that the employee could be
10 taken to zero?

11 MR. SLACK: Objection to the form of the
12 question.

13 THE WITNESS: No, I don't know. They could
14 have been.

15 BY MR. JULIAN:

16 Q. Whose idea was it to change the individual
17 performance modifier from 2018 to 2019?

18 A. In the originally proposed 2019 STIP?

19 Q. Yes.

20 A. Again, I had made that suggestion.

21 Q. Of what it should be?

22 A. That there -- initial recommendation that
23 there would not be an individual performance
24 modifier.

25 Q. I see.

1 And they accepted that recommendation?

2 MR. SLACK: Objection to the form.

3 THE WITNESS: That was what was approved by the
4 committee at the January 23rd meeting, correct.

5 BY MR. JULIAN:

6 Q. Subsequently, the committee changed it to
7 have an upward modification for 10 percent of the
8 pool?

9 A. They agreed to have an upward modification
10 for 10 percent of the participants, for up to
11 10 percent of the participants.

12 Q. And who are the 10 percent of the
13 participants?

14 A. They're not -- it's going to be the
15 highest performing individuals over the course of
16 the period.

17 Q. Who determines who the 10 percent of the
18 pool will be?

19 A. My understanding, they'll be nominated by
20 their managers, and then senior management will
21 determine who those individuals are ultimately.

22 Q. On a quarterly basis?

23 A. Correct.

24 Q. Was there any discussion at the
25 compensation committee level about having an

1 individual performance modifier to take into account
2 an employee's culpability for prior disasters?

3 MR. SLACK: Objection to the form of the
4 question.

5 THE WITNESS: At the compensation committee
6 meetings, we had talked about not having a
7 performance -- an individual performance modifier as
8 part of the plan.

9 BY MR. JULIAN:

10 Q. Right.

11 Did anyone say that's not a good idea,
12 some of these employees might have contributed to
13 the prior disasters?

14 MR. SLACK: Objection to the form of the
15 question.

16 THE WITNESS: They did not. There was a
17 general discussion, again, of how the company --
18 this is a prospective plan, so there's always the
19 ability to adjust an award at the end of a
20 performance period.

21 BY MR. JULIAN:

22 Q. By who?

23 A. By the compensation committee and
24 management.

25 Q. Individual awards or classes of awards?

1 A. As far as I know, both.

2 Q. Is there any metric given in the 2019 STIP
3 for what the compensation committee would consider
4 in reducing or eliminating an award?

5 A. No. That's the purpose of discretion,
6 that they can use their judgment to assess the
7 conditions under which such a change would be made
8 and then make a determination.

9 Q. Is there any written metric in the STIP
10 that governs the exercise of that judgment?

11 A. No. It's unilaterally across the entire
12 plan.

13 Q. What do you mean by "unilaterally across
14 the entire plan"?

15 A. There's discretion across the entirety of
16 the plan whether to pay anything out, to pay certain
17 individuals out, to pay different metrics out. It's
18 entirely a prospective discretionary plan. So
19 that's what I mean, "unilaterally"; it's across all
20 aspects of the plan.

21 Q. Was there any discussion at the
22 compensation committee level about how San Francisco
23 union employees were included in the STIP plan?

24 A. Not that I recall.

25 Q. Was there any discussion at the

1 compensation committee level about whether there
2 should be metrics to guide the compensation
3 committee in determining whether to grant quarterly
4 STIP awards?

5 A. Are you referring to whether they used
6 their discretion? I'm not sure, when you say
7 "metrics to guide" whether they grant the awards --

8 Q. Yeah.

9 Other than discretion, was there any
10 discussion at the compensation committee as to
11 whether there should be metrics to guide the
12 compensation committee members to exercise their
13 discretion as to whether to grant quarterly awards?

14 MR. SLACK: Objection to the form.

15 THE WITNESS: No. Because in my experience,
16 that's the whole point of discretion. If you had
17 metrics to guide it, then it's not discretion; it's
18 driven by the metrics. The plan has metrics. The
19 discretion is there to allow them to use their
20 judgment outside the metrics that existed -- or
21 exist.

22 BY MR. JULIAN:

23 Q. The financial performance metric was
24 changed from 25 to 40 over 2019 [sic] to 2019;
25 right?

1 A. 2018 to 2019.

2 Q. What did I say?

3 A. I think you said 2019 to 2019.

4 Q. Let me start over.

5 The financial performance metric weighting
6 was changed from 25 percent in 2018 to 40 percent in
7 2019; is that right?

8 A. That's correct.

9 Q. Was there any discussion at the
10 compensation committee about putting the 15 percent
11 on wildfire mitigation instead of financial
12 performance?

13 MR. SLACK: Objection to the form of the
14 question.

15 THE WITNESS: I don't recall specific
16 discussion around that. There's, again, general
17 discussion about the various weights tied to the
18 various metrics.

19 BY MR. JULIAN:

20 Q. Which of your other clients have you
21 recommended shifting from an annual payment to a
22 quarterly payout?

23 A. For companies in restructuring
24 situations --

25 Q. Sure.

1 A. -- it would be virtually all of them. And
2 it may not necessarily be just quarterly. Again, it
3 depends on the circumstances. In some restructuring
4 cases, there may be shorter time frames, so you'd
5 recommend other time periods that align with the
6 case.

7 Q. Is one of the reasons that you're in
8 bankruptcy and you want to incentivize your
9 employees to stay, and bankruptcy creates some
10 uncertainty?

11 MR. SLACK: Objection to the form the question.

12 THE WITNESS: I think it's really back to my
13 point earlier, which was, in a bankruptcy, a year --
14 there's a lot of uncertainty that looks out over
15 the course -- you incur over the course of a year.

16 And people are worried about the future of
17 the organization. They're worried about their own
18 roles. They're worried about whether they're going
19 to get compensated or not. So by providing an
20 incentive that has a shorter time horizon on it, you
21 give them more certainty.

22 It allows them to focus on their job and
23 achieving their objectives than whether or not they
24 are going to have to wait a year to see if this gets
25 paid. That's the primary reason.

1 BY MR. JULIAN:

2 Q. Do you think it was prudent to consider
3 that uncertainty?

4 MR. SLACK: Objection to the form.

5 THE WITNESS: To consider that uncertainty of
6 what I just described in establishing the plan?

7 BY MR. JULIAN:

8 Q. Yes.

9 A. Yes, I do.

10 Q. Did you similarly consider the uncertainty
11 of a fire in November of 2019 might make it
12 imprudent to kick out incentive pay until you learn
13 the employees had corrected the wildfire risk in
14 California?

15 MR. SLACK: Objection to the form.

16 THE WITNESS: So, again, I considered all of
17 the various potential opportunities or potential
18 issues that might happen to a company. Like in any
19 situation, there are things that can happen, whether
20 it's wildfire, whether it's global economic
21 recession, whether it's regulatory changes.

22 In all of my restructuring work, there are
23 the possibility of things that might happen during
24 the course of the year. And that's a trade-off that
25 I think I and companies of my clients have to make

1 in determining the balancing.

2 Do you get the positive benefits from
3 having a quarterly payment versus the potential of
4 some extraneous event happening that otherwise
5 wasn't expected?

6 BY MR. JULIAN:

7 Q. Have you met anyone who lost their home in
8 the 2017 or 2018 fires?

9 MR. SLACK: Objection to the form of the
10 question.

11 THE WITNESS: I have not.

12 BY MR. JULIAN:

13 Q. Anyone who lost their loved ones in those
14 fires?

15 MR. SLACK: Objection to the form of the
16 question.

17 THE WITNESS: I have not.

18 BY MR. JULIAN:

19 Q. Were any of your clients that were in
20 bankruptcy that you gave this advice to from
21 switching from an annual payment to a quarterly
22 payment in the situation of this company where they
23 were facing the threat of massive wildfires that
24 create death and destruction in California?

25 MR. SLACK: Objection to the form of the

1 question.

2 THE WITNESS: Not that exact circumstance, but
3 I've worked with a number of companies restructuring
4 where there was -- again, there were potentials that
5 negative things could happen, whether that's an
6 airline that could have events that would be quite
7 catastrophic that might happen in the course of a
8 year, or a car manufacturer that might have issues
9 with its products or other situations where things,
10 again, may happen during the course of a given year
11 that are unexpected and would have an impact on the
12 business. Yes, in those circumstances.

13 BY MR. JULIAN:

14 Q. Did any of those companies have State
15 agency orders pending against them saying that their
16 employees had willfully falsified the records?

17 MR. SLACK: Objection to the form of the
18 question.

19 THE WITNESS: I'm not aware of State orders
20 relative to any of those situations or any form of
21 State orders.

22 BY MR. JULIAN:

23 Q. Take a look at Exhibit 14. This is PG&E's
24 response to Judge Alsup's orders that he might
25 impose conditions of probation dealing with wildfire

1 mitigation. And turn to page 48, line 8.

2 PG&E lawyers wrote, "Simply put, the
3 resources required to comply with the proposed
4 modifications do not exist. PG&E does not have the
5 necessary funds. Were PG&E allowed to pass on the
6 cost, the rate increases would be impressive.
7 Qualified labor shortage is even more problematic.
8 PG&E does not have, nor does it believe it could
9 find the qualified personnel necessary to complete
10 the proposed work."

11 Did you have any discussions with anyone
12 at PG&E about PG&E's financial ability to comply
13 with Judge Alsup's proposed conditions dealing with
14 the wildfire mitigation?

15 MR. SLACK: Objection to the form.

16 THE WITNESS: I did not.

17 BY MR. JULIAN:

18 Q. Did you have any understanding at all as
19 to where PG&E is going to get the money to pay the
20 STIP awards?

21 A. I assume from their operations, but beyond
22 that, no. Most companies, in terms of their ongoing
23 operations, should usually fund the incentive
24 awards.

25 Q. Let's turn to Judge Alsup's order which

1 followed this PG&E brief. It's Exhibit 15. Turn to
2 page 7. I would like you to read to yourself the
3 entire paragraph, lines 14 through 27, and then tell
4 me when you're finished and I'll have a couple of
5 questions for you.

6 A. Okay.

7 (Witness reads document.)

8 A. Okay. I've read it.

9 Q. And do you have any opinion as to whether
10 or not what Judge Alsup is saying there -- one of
11 the things he's saying is PG&E should not put
12 profitability before wildfire safety?

13 MR. SLACK: Objection to the form of the
14 question. Lack of foundation.

15 THE WITNESS: Can you ask the question again,
16 please.

17 BY MR. JULIAN:

18 Q. Yes.

19 You're offered up as an expert in this
20 case; right?

21 MR. SLACK: Objection to the form of the
22 question.

23 BY MR. JULIAN:

24 Q. If you know. If you don't know, tell me
25 you don't know.

1 A. Just repeat the question.

2 Q. Is your interpretation of this one of the
3 things Judge Alsup is saying is that PG&E should not
4 put profit-making before wildfire safety?

5 MR. SLACK: Objection to the form of the
6 question.

7 THE WITNESS: Yeah, I'm not, based on this
8 paragraph, in a position to say what that judge was
9 inferring.

10 BY MR. JULIAN:

11 Q. And based upon what this judge is saying
12 here, your interpretation of it, do you believe you
13 should go back and advise the compensation committee
14 to change the metric of financial performance from
15 40 percent to something lower?

16 MR. SLACK: Objection as to the form.

17 MR. KAROTKIN: Are you inferring that this is
18 an order directing the company to do anything in
19 terms of its performance? Because it's not.

20 BY MR. JULIAN:

21 Q. Go ahead. You may answer.

22 A. Repeat the question again.

23 Q. She'll repeat it.

24 (Record read by reporter as follows:

25 "Question: And based upon what this judge

1 is saying here, your interpretation of it,
2 do you believe you should go back and
3 advise the compensation committee to
4 change the metric of financial performance
5 from 40 percent to something lower?")

6 MR. SLACK: Objection.

7 And there's an objection, right, to the
8 form?

9 THE REPORTER: Yes, there's an objection.

10 THE WITNESS: Based on my reading of this
11 paragraph, there's nothing here that would have me
12 go back and revise my recommendation.

13 BY MR. JULIAN:

14 Q. Okay. Do you have any present intent to
15 submit any further declarations in connection with
16 STIP motion proceedings in the bankruptcy court?

17 A. I do not.

18 Q. Okay. What's the largest incentive plan
19 that you have ever advised on?

20 A. What is the largest incentive plan?

21 Q. I'm sorry.

22 Yeah, dollar amount of short-term --

23 A. How are you defining "incentive plans"?

24 Q. Pardon me?

25 A. How are you defining "incentive plans"?

1 Q. STIPs, short-term incentive plans.

2 What's the largest dollar amount you've
3 ever advised on?

4 A. In terms of the target opportunity that
5 was provided to people?

6 Q. Yes.

7 A. Be in the hundreds of millions of dollars.
8 I don't know the exact amount.

9 Q. Have you advised on any STIP plans where a
10 target goal was larger than 235 million?

11 A. The target payout was larger than
12 235 million?

13 Q. Yes.

14 A. I don't believe so in a restructuring.
15 Outside of restructuring, potentially, but in a
16 restructuring, not that I can recall.

17 Q. Under the performance metrics and the
18 multipliers that you have in this case for the 2019
19 STIP, what's the largest the amount of the STIP
20 award could be above the \$235 million target?

21 MR. SLACK: Objection to the form of the
22 question.

23 THE WITNESS: I believe it is 335 million
24 approximately.

25 BY MR. JULIAN:

1 Q. Have you ever been involved in a
2 Chapter 11 case involved in that large of a dollar
3 amount of STIP awards?

4 A. I may have been. Not that I recall. This
5 is also one of the largest cases that have been in
6 place -- or that has been completed.

7 Q. How was the customer satisfaction metric
8 changed from 2018 to 2019?

9 A. I don't know.

10 Q. So if you go to Exhibit 2, to the 2018
11 structure, on page WP 4-39, you'll see there's this
12 description of the customer weighting of 25 percent
13 and the definition.

14 A. Um-hum.

15 (Witness reviews document.)

16 Q. One thing you do remember is that the
17 weighting was changed from 25 percent in 2018 to
18 10 percent in 2019; correct?

19 A. Correct.

20 Q. Do you know if there were any other
21 changes in how the metric is employed or gauged
22 thereafter?

23 A. I don't recall any of those changes.
24 There may have been; I don't recall.

25 Q. What was the discussion at the

1 compensation committee about the reason of changing
2 the customer satisfaction from 25 to 10 percent
3 weighting?

4 A. They were looking to have an increased
5 weighting on the financial component and didn't feel
6 that -- wanted to maintain the safety at 50 percent.
7 So that meant that the customer would be the one
8 area where they would take the percentages from.

9 Q. Was there any discussion at the
10 compensation committee about changing the weighting
11 on wildfire mitigation for electrical from
12 10 percent to a higher number and taking it from
13 some other metric?

14 MR. SLACK: I'm going to object to the form.
15 It's asked and answered.

16 You can answer.

17 THE WITNESS: Not that I recall.

18 BY MR. JULIAN:

19 Q. Do you know whether or not PG&E has linked
20 its 2019 STIP compensation metric to customer
21 satisfaction in any particular way? Or is that a
22 detail you didn't deal with?

23 MR. SLACK: Object to the form.

24 THE WITNESS: It was -- a customer component is
25 the 10 percent. But beyond that, no, I didn't deal

1 with the details of exactly how the metric operated.

2 BY MR. JULIAN:

3 Q. Did anyone tell you how the -- the
4 determination of whether the 10 percent on wildfire
5 mitigation and systems hardening is to be
6 determined?

7 A. It may have been discussed during
8 discussions of the metrics, but wasn't discussed
9 with me. It was between --

10 Q. But your team didn't get involved in
11 determining whether or not that was a reasonable
12 metric in terms of the component of the metric. Not
13 the percentage, but the component.

14 A. Yes.

15 Q. And in determining -- did you or your team
16 get involved at all in advising PG&E as to the
17 reasonableness of the weighting of 10 percent on the
18 wildfire mitigation and system hardening?

19 MR. SLACK: Objection to the form.

20 THE WITNESS: We did not.

21 BY MR. JULIAN:

22 Q. Who did advise the committee on that --

23 A. I don't know.

24 Q. -- if you know? All right.

25 How did -- let's talk about base pay.

1 Do you know how PG&E calculates its base
2 pay for its employees?

3 A. When you say "calculate," what do you
4 mean?

5 Q. Terrible question.

6 In other words, do they go through a peer
7 review process of whether the employees at certain
8 levels -- what they get through their peers?

9 Do you know how any of that is set?

10 MR. SLACK: Objection to the form.

11 THE WITNESS: I don't know.

12 BY MR. JULIAN:

13 Q. Did your team do any evaluation of whether
14 the base pay for the 10,000 employees were set at
15 the peers?

16 A. My team did not.

17 Q. And do you have any opinion as to whether
18 or not the base pay of the 10,000 PG&E employees who
19 were subject to the STIP awards is at market?

20 MR. SLACK: Objection to the form.

21 THE WITNESS: I have not done an analysis of
22 that, no.

23 BY MR. JULIAN:

24 Q. Did you do any analysis to determine
25 whether or not the base pay plus the target STIP

1 awards to the 10,000-employee pool was at market,
2 below market, above market or at market?

3 MR. SLACK: Objection to the form.

4 THE WITNESS: So, again, my team did not do any
5 analysis of that.

6 (Tort Committee Exhibit 19 was marked.)

7 BY MR. JULIAN:

8 Q. Let me show you Exhibit 19.

9 MS. WOLTERING: It's in his binder.

10 MR. JULIAN: Not in my binder. How about
11 counsel? Does counsel have it?

12 MR. SLACK: I have it. Do you have an extra
13 copy?

14 MS. WOLTERING: No, there's one in each of the
15 binders.

16 BY MR. JULIAN:

17 Q. So for the record, Mr. Friske, I've handed
18 you Exhibit 19, which is a copy of Pacific Gas and
19 Electric Company's wildfire mitigation plan filed
20 with the Public Utilities Commission of the State of
21 California. It's dated February 6, 2019.

22 Your work, as I understand it, ended
23 pretty much on January 23, 2019?

24 MR. SLACK: Objection to the form.

25 THE WITNESS: I wouldn't say that. I think the

1 substance of our analysis was done, but as I had
2 mentioned, we provided some input. We participated
3 in the compensation committee meeting on the 19th
4 and then the subsequent questions, et cetera.

5 BY MR. JULIAN:

6 Q. Got it.

7 Then let me ask you: Did you or your team
8 consider Pacific Gas' wildfire mitigation plan in a
9 written form in any draft or final version?

10 A. We did not.

11 Q. And Exhibit 19, you've never seen that
12 before; is that right?

13 A. I don't believe so, no.

14 MR. JULIAN: Do you want to take a little break
15 so I can wrap up?

16 MR. SLACK: Sure. Are you going to be
17 switching or not?

18 MR. JULIAN: No. Done all that. Which
19 eliminated a lot of the questions, by the way.

20 (Recess taken.)

21 BY MR. JULIAN:

22 Q. We're back on the record.

23 Mr. Friske, I would like to turn to your
24 declaration, Exhibit 17.

25 Who drafted it, your declaration?

1 A. We worked with Weil to draft it.

2 Q. Who did the first draft?

3 A. Weil did, at my instructions. Because I
4 had prepared other drafts before and I said, well,
5 rather than just create it, I would use this
6 version -- a prior version as a shell.

7 Q. Did you revise it some?

8 A. I'm sorry?

9 Q. Did you revise the declaration some?

10 A. Significantly.

11 Q. And then you approved it before signing
12 it?

13 A. I did.

14 Q. So let's go to page 5, Section C, "Summary
15 of 2019 STIP."

16 A. Okay.

17 Q. The first section there identifies the
18 2019 STIP participants; right?

19 A. Yes.

20 Q. And Section 2 is "Implementation
21 Performance Period"?

22 A. Yes.

23 Q. Section 3 is "Total Client Costs"?

24 A. Yes.

25 Q. I see -- apologize. I didn't mean to

1 mislead you.

2 A. I'm sorry.

3 Q. The maximum aggregate payout is
4 350 million; is that right?

5 A. Yes.

6 Q. Not 335 --

7 A. Not 335. I saw the 235 and --

8 Q. Good guess.

9 Section 4 is "2019 STIP Awards," that's a
10 correct description of the award range, et cetera?

11 A. Yes.

12 Q. And Section 5 on the next page is
13 "Performance Metrics and Weighting."

14 A. Yes.

15 Q. That's also part of the 2019 STIP?

16 A. Yes.

17 Q. And then on the next page, you say that
18 your firm -- "WTW has reviewed the terms and
19 provisions of the 2019 STIP and believes that the
20 structure, performance metrics and design and range
21 of potential 2019 STIP awards are consistent with
22 the debtors' industry with the only material
23 difference in design being quarterly payments which,
24 however, are very common in companies undergoing a
25 restructure."

1 Correct?

2 A. Yes.

3 Q. Is that still true?

4 A. Yes.

5 Q. Did you advise SoCalGas, San Diego Gas and
6 Electric?

7 A. No.

8 Q. Did your company advise them?

9 A. They may -- well, on what matters? They
10 may have. I don't know.

11 Q. Let's look at Exhibit 19 -- no. 20.

12 A. I don't think --

13 MS. WOLTERING: Right here.

14 (Tort Committee Exhibit 20 was marked.)

15 BY MR. JULIAN:

16 Q. So go to page DSR 5.

17 A. Okay.

18 Q. On line 16, it states that "Both SoCalGas
19 and San Diego Gas and Electric have increased the
20 weighting of their safety measurements in variable
21 pay plans over the past two years such that safety
22 measures now comprise 70 percent of the company
23 performance component."

24 Did you consider San Diego Gas' metric in
25 that regard in advising PG&E's compensation

1 committee on --

2 MR. SLACK: Objection to the form.

3 BY MR. JULIAN:

4 Q. -- on the weighting of the safety factor
5 for PG&E's 2019 STIP?

6 MR. SLACK: Objection to the form.

7 THE WITNESS: No, I did not consider SDG&E's
8 incentive plan.

9 BY MR. JULIAN:

10 Q. If you turn the page to DSR 6, it says
11 that WTW there did the study with respect to
12 compensation.

13 Does that refresh your recollection as to
14 whether WTW was engaged by San Diego Gas and
15 Electric?

16 A. Well, WTW is a fairly large firm. We're
17 engaged by many organizations that I'm not familiar
18 with, but, yes, it refreshes -- it says it here, but
19 there are many companies I don't know we work with.

20 Q. In trying to obtain comparables for PG&E's
21 safety metrics, did you ask anyone within WTW for
22 similar metrics from other utilities that WTW
23 advised?

24 MR. SLACK: Objection to the form of the
25 question. Foundation.

1 THE WITNESS: I did reach out to our -- to
2 individuals who consult in the utilities space for
3 information with respect to common incentive
4 practices, but I did not specify those companies
5 being ones in which Willis Towers Watson does work.

6 BY MR. JULIAN:

7 Q. And did you review the performance metrics
8 for reasonableness?

9 A. Can you define "metrics." Which are --

10 Q. Oh, did you advise the compensation
11 committee on the reasonableness of the performance
12 metrics for PG&E's 2019 STIP?

13 A. So I advised them on the three primary
14 categories; so the fact of safety, financial and
15 customer metrics. And it was reasonable to have
16 those three categories and the weightings attached
17 to those categories.

18 Q. So if you go back to page 4 of your
19 declaration --

20 Apologize.

21 A. Um-hum.

22 Q. -- on line 7, Mr. Friske, you testified
23 that, "Among other things, my team and I provided
24 input and advice on the design and structure of the
25 2019 STIP for reasonableness."

1 Is it true what you were referring to
2 there with respect to performance metrics was what
3 you just said and nothing more?

4 MR. SLACK: Objection to the form.

5 THE WITNESS: So with respect to metrics, it
6 was the reasonableness of those three categories.

7 BY MR. JULIAN:

8 Q. And the reasonableness of those three
9 categories dealt with what?

10 A. Whether or not it was reasonable to have,
11 as part of the 2019 STIP, a safety metric -- or
12 safety -- class of safety metrics, a financial
13 component and a customer component. Having those as
14 the components of the incentive plan, whether or not
15 that was reasonable.

16 Q. Okay. Then, secondly, did you advise the
17 committee as to whether the percentages of weighting
18 for each of those three categories was reasonable?

19 A. I did.

20 Q. And then, third, did you advise the
21 compensation committee with respect to whether the
22 individual weightings in each subclass of safety and
23 the like were reasonable?

24 A. I did not.

25 Q. So, for example, is it true you did not

1 advise the compensation committee as to whether or
2 not the 10 percent weighting for wildfire mitigation
3 and system hardening was reasonable?

4 MR. SLACK: Objection to the form.

5 THE WITNESS: That is correct.

6 BY MR. JULIAN:

7 Q. What you did do is you advised the
8 committee that 50 percent weighting for safety as a
9 whole was reasonable?

10 A. That is correct.

11 Q. And you did not consider San Diego Gas and
12 Electric's 70 percent weighting in that regard;
13 correct?

14 MR. SLACK: Objection to the form of the
15 question.

16 THE WITNESS: That is correct.

17 BY MR. JULIAN:

18 Q. Now, the last topic I want to get to --
19 and whenever a lawyer says "last topic," you always
20 have to wonder whether it really is, but I'm going
21 to try to stick to it. I want to go back over this
22 quarterly versus annual payment topic. Okay.

23 I want to understand your testimony. And
24 I don't want you to repeat everything, but I want to
25 focus on something.

1 Does part of your advice switching from
2 annual to quarterly have to do with retention?

3 A. Any incentive plan, although the primary
4 purpose of incentive is incenting, has a retentive
5 component.

6 Q. For the laymen, you don't want people or
7 employees, while the company is in bankruptcy,
8 leaving on the spur of the moment, or at any time?

9 MR. SLACK: Objection to the form.

10 BY MR. JULIAN:

11 Q. Fair enough?

12 A. I think that, in general, any entity wants
13 to retain its employees in any situation. And so
14 there are various mechanisms to do that; incentive
15 plans, corporate culture.

16 Q. In your opinion, is there any harm to the
17 company that would come from waiting for
18 Judge Alsup's April 2, 2019 decision about what type
19 of wildfire mitigation requirements he's going to
20 impose on PG&E vis-a-vis retaining employees?

21 MR. SLACK: Objection to the form of the
22 question.

23 THE WITNESS: Since I'm not familiar with
24 that -- other than what we've talked about during
25 this discussion, I'm not familiar with the judge's

1 view.

2 I will say that there is harm towards
3 continuing to have uncertainty -- I believe there's
4 harm to continuing to have uncertainty around this
5 plan and having employees unsure of whether or not
6 there's going to be an incentive plan in place for
7 them.

8 And the harm is that you have employees
9 who are disengaged, who don't feel valued, who
10 potentially could look for other opportunities. And
11 so that, I think, is the harm of not having a plan
12 that's in place.

13 BY MR. JULIAN:

14 Q. If you had a 2019 annual incentive plan
15 with annual payments and annual reviews, do you
16 think that would provide the employees with the
17 comfort that they need?

18 MR. SLACK: Objection to the form.

19 THE WITNESS: I can't speak to what comfort any
20 individual employee would need. I can say, though,
21 there is a spectrum of -- back to my point of
22 wanting to ensure people feel that they're paid
23 appropriately, that they're incented, that they're
24 being awarded for their activities that they're
25 accomplishing and they're all aligned with the

1 company's goals.

2 And there's a spectrum of -- having no
3 plan, having nothing is I think the least helpful in
4 that regard. I think that a quarterly plan in this
5 situation would be the most helpful in that regard.
6 I think an annual plan would be better than no plan,
7 but I don't think it would be as effective as a
8 quarterly plan.

9 BY MR. JULIAN:

10 Q. Do you think the presence of a bankruptcy
11 court order approving some \$5 billion of
12 debtor-in-possession financing could counterbalance
13 your concern that the employees might be concerned
14 about not having a quarterly payment plan in place?

15 MR. SLACK: Objection to the form of the
16 question.

17 THE WITNESS: In my experience, employees of --
18 the broad-based employees aren't familiar with terms
19 like "debtor-in-possession financing" and what
20 assurances that can provide them as employees.
21 They're concerned about what their paycheck is going
22 to look like in two weeks, in three weeks, in a
23 month or two.

24 BY MR. JULIAN:

25 Q. In advising the compensation committee,

1 did you talk to any employees to find out their
2 views on the short-term incentive plan?

3 A. Other than management employees that we
4 were discussing overall -- the overall program with,
5 no.

6 Q. Did you look at any surveys of the PG&E
7 employees to see what they thought about the
8 bankruptcy?

9 A. I did not. I don't know if those exist,
10 but, no, I did not look to see if they do exist.

11 Q. Did you look at any surveys of employee
12 views on the STIP itself?

13 A. I did not.

14 Q. If you could, turn to Exhibit 1. This is
15 the corrected declaration of Dinyar Mistry. And go
16 to page 4 of his declaration, line 12.

17 Mr. Mistry testified, "In light of the
18 2018 Northern California wildfires and the material
19 deterioration in the debtors' financial situation,
20 the board of directors adopted senior management's
21 recommendation and exercised its discretion to
22 forego paying to approximately 11,000 of the
23 debtors' employees the 2018 STIP awards, and the
24 debtors withdrew the request for authority to pay
25 such awards."

1 Do you know anything about that other than
2 what you've testified in your deposition so far
3 today?

4 A. I do not.

5 Q. Do you know of any change in the debtors'
6 view of its compensation plans between January 23,
7 2019, when the compensation committee approved the
8 2019 STIP, and February 28, 2019, when the debtors
9 withdrew their motion to approve the 2018 awards?

10 MR. SLACK: Objection to the form.

11 THE WITNESS: Could you restate the question.
12 Trying to get the dates.

13 BY MR. JULIAN:

14 Q. So let's get something straight.

15 January 23, 2019 the comp committee
16 approves the 2019 STIP; right?

17 A. Yes.

18 Q. At that time, you thought the debtors were
19 going to put forward the 2018 STIP in court; right?

20 MR. SLACK: Objection to the form.

21 THE WITNESS: Yeah. That's what had been
22 communicated, yes.

23 BY MR. JULIAN:

24 Q. And then I'm told, according to my trusty
25 assistants, that on February 28, 2019, the debtors

1 withdrew their request to have the 2018 STIP
2 approved; right?

3 So roughly one month between the two.

4 A. Yes.

5 Q. And my question is, you probably know
6 where I'm going with this, but do you know of any
7 change in the debtors' compensation committee's
8 views on STIP awards that took place in the interim
9 period?

10 MR. SLACK: Objection to the form of the
11 question.

12 THE WITNESS: The only thing that I'm aware of
13 is that at the February 19th compensation committee
14 meeting, there was a discussion whereby management
15 proposed that this was -- they were recommending
16 this action. And then the committee had relayed
17 that they understood the rationale behind that. And
18 that was it. That's the only additional piece of
19 information between those two dates that I'm aware
20 of.

21 BY MR. JULIAN:

22 Q. And the management that proposed that was
23 Mr. Simon?

24 A. That's correct.

25 Q. The acting or interim CEO?

1 A. That's my understanding, yes.

2 Q. And you mentioned -- you said the
3 committee "understood the rationale," is what you
4 said.

5 A. Correct.

6 Q. What indicated to you that the committee
7 understood the rationale?

8 A. I don't recall the exact words, but there
9 was general concurrence that they understood why
10 they would be recommending that.

11 Q. And what did Mr. Simon say the rationale
12 was?

13 A. My recollection was that it was largely
14 related to the restructuring. I don't recall any
15 other details beyond that.

16 Q. You didn't ask?

17 A. I didn't ask?

18 Q. Did you ask?

19 A. No, I didn't ask.

20 MR. SLACK: Objection to the form.

21 BY MR. JULIAN:

22 Q. What was your understanding of what he
23 meant when he said it had to do with the
24 restructuring?

25 MR. SLACK: Objection to the form of the

1 question.

2 THE WITNESS: My understanding, as I said, was
3 that given that there was -- the company was going
4 through this restructuring process, that management
5 had made the determination that it was in the best
6 interests of all the stakeholders not to make those
7 payments.

8 BY MR. JULIAN:

9 Q. Would the same hold true for the 2019
10 STIP?

11 MR. SLACK: Objection to the form of the
12 question.

13 THE WITNESS: I think the 2019 STIP is a
14 completely different situation. We're now looking
15 on a prospective basis. Again, the 2019 STIP does
16 not guarantee any payments. The 2019 STIP lays out
17 a framework upon which to align the interests of all
18 the participants with those at the company and the
19 stakeholders.

20 Whether at the end of 2019 there are
21 payments that are being made, discretion that's
22 being applied, that's all to be determined. And to
23 me it's separate from what happened in 2018.

24 BY MR. JULIAN:

25 Q. You just said -- I want you to listen to

1 your answer when the court reporter reads it back.

2 MR. JULIAN: Slowly.

3 (Record read by reporter as follows:

4 "Answer: I think the 2019 STIP is a
5 completely different situation. We're now
6 looking on a prospective basis. Again,
7 the 2019 STIP does not guarantee any
8 payments. The 2019 STIP lays out a
9 framework upon which to align the
10 interests of all the participants with
11 those at the company and the stakeholders.
12 "Whether at the end of 2019 there are
13 payments that are being made, discretion
14 that's being applied, that's all to be
15 determined. And to me it's separate from
16 what happened in 2018.")

17 BY MR. JULIAN:

18 Q. Did you mean to say 2019?

19 MR. SLACK: Object to the form of the question.

20 THE WITNESS: No.

21 BY MR. JULIAN:

22 Q. So you're happy with your answer?

23 A. I think so.

24 Q. Okay. One of the things you said is,

25 "Whether at the end of 2019, there are payments that

1 are being made."

2 You're referring to an annual program
3 there; right?

4 A. No. I meant payments throughout the year.
5 I just meant, at the end, you'll know that over the
6 course of that year -- whether payments have been
7 made quarterly. So, no, I wasn't referring to an
8 annual plan.

9 Q. Freudian slip.

10 You said, "The 2019 STIP lays out a
11 framework upon which to align the interests of all
12 the interests [sic] with the company and the
13 stakeholders."

14 Do you include the tort claimants as one
15 of the stakeholders?

16 A. I think so. In the sense that -- look at
17 the plan. Especially if the company continues to
18 focus on safety, continues to focus on the financial
19 performance of the company and customer -- I think
20 all of those, in my view, will lead to having the
21 strongest value for all the constituents. So it's a
22 yes.

23 MR. JULIAN: Thank you. Thanks for your time
24 today.

25 I'll pass the witness.

1 MR. DENNY: No questions today from the
2 committee.

3 MR. SLACK: Okay.

4 MR. JULIAN: Can you make changes to the
5 deposition transcript by next week?

6 MR. SLACK: When you say "make changes" --

7 MR. JULIAN: Well, if he has any changes, in
8 other words. Can he sign it before we file our
9 brief, or are you --

10 MR. SLACK: I doubt I'm going to have him sign
11 it before then, but I will --

12 (Discussion off the record.)

13 MR. SINGH: Are we going to designate the
14 transcript confidential again?

15 MR. SLACK: Yes. Thank you.

16 We're going to designate the transcript as
17 professional eyes only under the agreement that we
18 have with both the tort committee and the UCC. And
19 as we said the last time, we're happy to work with
20 both committees, if we need to, and we'll find a
21 mechanism for filings and the hearings.

22 So thank you.

23 MR. JULIAN: I want to use the whole transcript
24 of both depositions and all the exhibits, so I think
25 we can't seal any of it. So if you want to have a

1 hearing with the judge next week, let me know.

2 MR. SLACK: I'm sorry. I don't understand what
3 you're saying.

4 MR. JULIAN: I'm going to use everything. I
5 don't agree that it's confidential. It's a
6 deposition. I don't think the NDA's deal with
7 depositions. But we have disagreement, so let's
8 talk about having a phone conversation with Judge
9 Montali. Okay?

10 Is that agreeable?

11 MR. SLACK: I don't agree with you. We'll
12 agree to disagree right now, but we're happy to have
13 a discussion and work with you to try to work out
14 our differences.

15 MR. JULIAN: Okay. Thanks.

16 (Whereupon, the proceedings were concluded
17 at 3:17 p.m.)

18 ---oOo---

1 CERTIFICATE OF DEPOSITION OFFICER

2 I, ANRAE WIMBERLEY, CSR NO. 7778, duly
3 authorized to administer oaths pursuant to Section
4 8211 of the California Code of Civil Procedure,
5 hereby certify that the witness in the foregoing
6 deposition was by me sworn to testify to the truth,
7 the whole truth and nothing but the truth in the
8 within-entitled cause; that said deposition was
9 taken at the time and place therein stated; that the
10 testimony of said witness was reported by me and was
11 thereafter transcribed by me or under my direction
12 by means of computer-aided transcription; that the
13 foregoing is a full, complete and true record of
14 said testimony; and that the witness was given an
15 opportunity to read and correct said deposition and
16 to subscribe same.

17 I further certify that I am not of counsel or
18 attorney for either or any of the parties in the
19 foregoing deposition and caption named, nor in any
20 way interested in the outcome of the cause named in
21 said caption.

22 IN WITNESS WHEREOF, I have hereunto subscribed
23 by my hand this 22nd day of March, 2019.

24 

25 ANRAE WIMBERLEY

Veritext Legal Solutions
1100 Superior Ave
Suite 1820
Cleveland, Ohio 44114
Phone: 216-523-1313

March 22, 2019

To: Richard W. Slack, Esq.

Case Name: PG&E Corporation v. Pacific Gas And Electric Company

Veritext Reference Number: 3264070

Witness: Douglas Friske Deposition Date: 3/21/2019

Dear Sir/Madam:

Enclosed please find a deposition transcript. Please have the witness review the transcript and note any changes or corrections on the included errata sheet, indicating the page, line number, change, and the reason for the change. Have the witness' signature notarized and forward the completed page(s) back to us at the Production address shown above, or email to production-midwest@veritext.com.

If the errata is not returned within thirty days of your receipt of this letter, the reading and signing will be deemed waived.

Sincerely,
Production Department

NO NOTARY REQUIRED IN CA

Veritext Legal Solutions

DEPOSITION REVIEW
CERTIFICATION OF WITNESS

ASSIGNMENT REFERENCE NO: 3264070

CASE NAME: PG&E Corporation v. Pacific Gas And Electric Company

DATE OF DEPOSITION: 3/21/2019

WITNESS' NAME: Douglas Friske

In accordance with the Rules of Civil
Procedure, I have read the entire transcript of
my testimony or it has been read to me.

I have made no changes to the testimony
as transcribed by the court reporter.

Date Douglas Friske

Sworn to and subscribed before me, a
Notary Public in and for the State and County,
the referenced witness did personally appear
and acknowledge that:

They have read the transcript;
They signed the foregoing Sworn
Statement; and
Their execution of this Statement is of
their free act and deed.

I have affixed my name and official seal
this _____ day of _____, 20____.

Notary Public

Commission Expiration Date

DEPOSITION REVIEW
CERTIFICATION OF WITNESS

ASSIGNMENT REFERENCE NO: 3264070

CASE NAME: PG&E Corporation v. Pacific Gas And Electric Company

DATE OF DEPOSITION: 3/21/2019

WITNESS' NAME: Douglas Friske

In accordance with the Rules of Civil Procedure, I have read the entire transcript of my testimony or it has been read to me.

I have listed my changes on the attached Errata Sheet, listing page and line numbers as well as the reason(s) for the change(s).

I request that these changes be entered as part of the record of my testimony.

I have executed the Errata Sheet, as well as this Certificate, and request and authorize that both be appended to the transcript of my testimony and be incorporated therein.

Date

Douglas Friske

Sworn to and subscribed before me, a Notary Public in and for the State and County, the referenced witness did personally appear and acknowledge that:

They have read the transcript;
They have listed all of their corrections in the appended Errata Sheet;
They signed the foregoing Sworn Statement; and
Their execution of this Statement is of their free act and deed.

I have affixed my name and official seal
this _____ day of _____, 20____.

Notary Public

Commission Expiration Date

ASSIGNMENT NO: 3/21/2019

PAGE/LINE (S)	CHANGE	/REASON
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[illegible]

Date _____ Douglas Friske
SUBSCRIBED AND SWORN TO BEFORE ME THIS _____
DAY OF _____, 20____.

Notary Public

Commission Expiration Date

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Federal Rules of Civil Procedure

Rule 30

(e) Review By the Witness; Changes.

(1) Review; Statement of Changes. On request by the deponent or a party before the deposition is completed, the deponent must be allowed 30 days after being notified by the officer that the transcript or recording is available in which:

(A) to review the transcript or recording; and

(B) if there are changes in form or substance, to sign a statement listing the changes and the reasons for making them.

(2) Changes Indicated in the Officer's Certificate. The officer must note in the certificate prescribed by Rule 30(f)(1) whether a review was requested and, if so, must attach any changes the deponent makes during the 30-day period.

DISCLAIMER: THE FOREGOING FEDERAL PROCEDURE RULES ARE PROVIDED FOR INFORMATIONAL PURPOSES ONLY.

THE ABOVE RULES ARE CURRENT AS OF SEPTEMBER 1, 2016. PLEASE REFER TO THE APPLICABLE FEDERAL RULES OF CIVIL PROCEDURE FOR UP-TO-DATE INFORMATION.

VERITEXT LEGAL SOLUTIONS
COMPANY CERTIFICATE AND DISCLOSURE STATEMENT

Veritext Legal Solutions represents that the foregoing transcript is a true, correct and complete transcript of the colloquies, questions and answers as submitted by the court reporter. Veritext Legal Solutions further represents that the attached exhibits, if any, are true, correct and complete documents as submitted by the court reporter and/or attorneys in relation to this deposition and that the documents were processed in accordance with our litigation support and production standards.

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